



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-3

October 3, 2002

Mrs. Elizabeth Smith, Treasurer
The Madison Project Inc.
P.O. Box 100
Centreville, VA 20122

Identification Number: C00298000

Reference: Amended Mid-Year Report (1/1/01-6/30/01), received 6/17/02 and
Amended Year End Report (7/1/01-12/31/01), received 6/17/02

Dear Mrs. Smith:

On September 11, 2002 you were notified that a review of the above-referenced report(s) raised questions as to specific contributions and/or expenditures, and the reporting of certain information required by the Federal Election Campaign Act.

Your September 26, 2002 response is incomplete because you have not provided all the requested information. For this response to be considered adequate, the following information is still required.

-Your response indicates that, "The Madison Project Inc. does indeed have two bank accounts. When invoices for administrative expenses are received, the Madison Project transfers money from its federal account to the other account to pay the expenses. The other account, in a sense, serves as a separate allocation account. All administrative expenses are paid for with federal funds that are deposited into the account shortly before payment....and no allocation of administrative expenses could be made because non-federal activities were de minimis."

Please be advised that under 11 CFR §106.6(e)(ii), a "separate allocation account" is an account into which funds from both the federal and non-federal accounts shall be deposited solely for the purpose of paying allocable expenses for joint federal and non-federal activities. The committee shall transfer funds from both its federal and non-federal accounts to the "separate" allocation account in amounts proportionate to

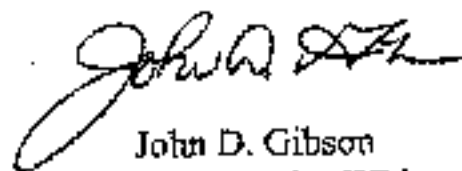
the federal or non-federal share of each allocable expense. 11 CFR §106.6(e)(ii)(B) Please amend your report to clarify the nature of your "second account" since it appears that it is your non-federal account rather than a "separate allocation account."

Furthermore, expenses entirely related to federal activity should only be paid from the federal account while all shared federal and non-federal expenses must be allocated and paid according to the appropriate allocation method. Therefore, please also clarify whether the "de minimis" non-federal expenses were the result of shared federal and non-federal activity. If so, your committee must allocate expenses pursuant to 11 CFR §§106.5 and 106.6.

An adequate response must be received at the Commission by October 23, 2002. Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions for time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee. Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you have any questions regarding this matter, please contact Antoinette Kitchen on our toll-free number, (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division), our local number is (202) 694-1130.

Sincerely,



John D. Gibson
Assistant Staff Director
Reports Analysis Division

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